

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension or)	
Revocation of the License to Conduct)	No. CR 2012-01080
Gambling Activities of:)	
)	NOTICE OF ADMINISTRATIVE
LOOM #1724)	CHARGES AND OPPORTUNITY
Moses Lake, Washington,)	FOR AN ADJUDICATIVE
)	PROCEEDING
Licensee.)	
_____)	

I.

The Washington State Gambling Commission issued LOOM #1724, organization number 00-00551, the following license:

- Number 01-00689, authorizing class "D" Bingo activity.

The license expires on December 31, 2013, and was issued subject to the licensee's compliance with state gambling laws and rules.

II.

David Trujillo, Interim Director of the Washington State Gambling Commission, charges the licensee with the following violations of the Washington State Gambling Act, 9.46 RCW and WAC Title 230:

SUMMARY:

The licensee failed to meet their state tax obligations, failed to have adequate accounting records to verify funds were accounted for and used for their stated purpose, and they allowed the misuse of funds through their payroll process.

FACTS:

1) On August 14, 2012, a Washington State Gambling Commission Special Agent (agent) made a visit to LOOM #1724 (club) in Moses Lake. The agent had received information that Bonnie Shoemaker, bingo manager, may be receiving double paychecks. In addition, several of their regular bingo players had mentioned they believed the club was behind on taxes and Moose International, the national oversight organization, was trying to revoke their charter.

2) Prior to his visit, over a period of several weeks, the agent received anonymous calls claiming that Mike Moore, administrator, Tessa Palmquist, office bookkeeper, and Ms. Shoemaker were stealing from the organization. The caller(s) did not have anything specific but believed the club should have sufficient money for bills that were not being paid.

3) During the agent's initial visit, Ms. Palmquist said in February 2012 she took over the office duties from Mr. Moore. She received very little training and the books were a mess. Ms. Palmquist said they recently received a letter from Moose International suspending their social club permit. She said the suspension was lifted after they paid \$800 to Moose International. The letter indicated they owed Moose International \$53,646. The agent later spoke to Norm Dean, District Administrator, who verified the suspension was lifted based on the \$800 payment. Mr. Dean said the club owes Moose International for the mortgage they hold on the land and building and for additional loans used to pay taxes and other substantial bills. Mr. Dean said they have been building this debt for many years and are trying to work themselves out of debt. Ms. Palmquist said the club is behind in all of their taxes.

4) Ms. Palmquist provided information regarding Ms. Shoemaker's pay. According to Ms. Palmquist, Ms. Shoemaker makes \$600 every two weeks for operating their bingo. Ms. Palmquist said on occasion, Ms. Shoemaker has taken payroll draws. Payroll draws were to be processed through Mr. Moore, who is responsible for signing checks. Ms. Palmquist mentioned that Mr. Moore had, in the past, paid Ms. Shoemaker or other employees money from their petty cash and failed to document the payment. When the agent questioned Ms. Palmquist about this practice, she changed her story saying it was Mr. Moore's money (out of his own pocket) that he had loaned Ms. Shoemaker or other employees. Ms. Palmquist provided a payroll check stub indicating a \$200 repayment for a previous draw taken by Ms. Shoemaker.

5) The agent requested pay records for Ms. Shoemaker. The agent reviewed copies of the cancelled checks and check stubs for Ms. Shoemaker's pay from March 2012 through July 2012, summarized as follows:

Date of Pay	Check Number	Net Pay Amount
3/2/2012	10294	\$554.73
3/16/2012	10302	\$554.73
3/30/2012	10284	\$453.73 ¹
4/6/2012	10310	\$553.73 ²
4/10/2012	10309	\$50.00 ³
4/13/2012	10315	\$363.48 ⁴
4/27/2012	10320	\$563.48
5/11/2012	10329	\$563.48
5/25/2012	10331	\$563.48

¹ Paycheck includes a \$100 cash advance deduction.

² This paycheck is an extra paycheck. Not on a regular pay date.

³ Additional draw taken four days after previous check. This draw check had no deductions for taxes.

⁴ Paycheck issued one week following the paycheck on 4/6/12. Paystub indicates \$200 deduction.

6/8/2012	10337	\$563.48
6/22/2012	10347	\$563.48
7/6/2012	10359	\$563.48
7/20/2012	10364	\$563.48

6) On August 30, 2012, agents met with Mr. Moore, Ms. Shoemaker, and Ms. Palmquist. They began reviewing their payroll records. Ms. Palmquist claimed they were not keeping a payroll register, although they did have hand-written documents, including payroll worksheets, showing who received pay. Ms. Palmquist claimed they were not using QuickBooks for payroll and their QuickBooks accounting records were not kept current. The agent asked them to show the draw check that created the repayment of \$100 on check #10284. They could not provide an original draw check or any other record where the draw was originally taken. Mr. Moore said he recalled giving a draw from his personal money, and later would be reimbursed by the organization. The agent later received a petty cash reimbursement form that documented this process. Mr. Moore said he is only guilty of poor accounting practices.

7) The agent asked Ms. Shoemaker and Mr. Moore about the extra paycheck given to Ms. Shoemaker on April 6. Again, they both claimed it was a payroll draw. The agent asked them to provide the documents/records showing the repayment of the draw. The agent pointed out that the check and check stub did not indicate it was a draw check, and it appeared to be processed as a regular paycheck. Mr. Moore said he authorized the check, and took responsibility for the check. The licensee was unable to provide or show any records that specifically shows a repayment of the extra paycheck. Ms. Shoemaker said she may have paid it back in cash directly into petty cash.

8) The agent questioned them about the \$200 deduction on Ms. Shoemaker's April 13, 2012 paycheck #10315. They could not provide the records showing where the \$200 draw was taken. Ms. Shoemaker then said it might have been for a partial repayment of the check #10310 for \$553.73. At this point, Mr. Moore, all of a sudden, interjected, saying he remembered that he and the Board of Directors decided to forgive the remainder of Ms. Shoemaker's draws. He said they wanted to do this because Ms. Shoemaker had not received a raise or a vacation in three years. The agent asked him to provide board meeting minutes showing the discussion and agreement. Mr. Moore said it was not documented in the minutes. The agent later spoke with the Board members, who did not add any information regarding Ms. Shoemaker's payroll draws or the extra paycheck.

9) Ms. Shoemaker also had at least one additional \$50 payroll draw on April 10, 2012, check #10309. This check is specifically identified as a "draw." The licensee could not provide records showing the repayment of this draw.

10) Based on the agent's review of Ms. Shoemaker's pay from March through July 2012, Mr. Moore authorized at least two payroll draws or an extra paycheck to Ms. Shoemaker, totaling \$603.73. During the same time, the licensee was only able to show repayment of \$200. The repayment was taken as a payroll deduction. Ms. Shoemaker was overpaid, and the organization lost approximately \$403.73 from at least two suspicious payroll draws.

11) The agent told Mr. Moore that, based on the lack of documentation or supporting evidence, it appeared he was giving away organizational funds through payroll checks and payroll draws. He failed to protect the organizations assets by providing payroll draws or extra paychecks not approved by the Board of Directors or repaid by Ms. Shoemaker. At this point, Mr. Moore asked if he needed a lawyer and said he would not be talking to the agent again because he was quitting.

12) The investigation changed and focused more on the licensee's use of petty cash and their lack of records. The licensee keeps a large sum of petty cash on hand. Ms. Palmquist claimed they keep extra money in their safe to have sufficient funds to make up their cash register bar bank. Mr. Moore also added that Department of Revenue (DOR) has been swiping their general bank account. The agent verified the account at least once. The licensee is holding back cash deposits so they have money to pay the bills. Instead of depositing cash from their daily receipts, funds go into their petty cash held in the office safe. The agent counted the petty cash and the licensee had approximately \$1,233 in their office safe. Ms. Palmquist said she does not record the cash receipts added to their petty cash.

13) Ms. Palmquist said Mr. Moore had, in the past, taken money from the petty cash without documenting or providing a receipt for the use of funds. She was currently trying to stop that from happening by requiring a petty cash disbursement form for all cash disbursements and an invoice or receipt. The licensee's accounting system does not have a verifiable audit trail showing cash going into the office safe or the disbursement of all petty cash.

14) The agent reviewed a sample of the petty cash disbursement forms. Most forms had corresponding receipts to verify the use of funds. Several disbursement forms showed cash payouts for kitchen supplies but had no supporting expense receipts. In addition, cash disbursements forms indicated Mr. More was being paid \$50 cash for gas. These payments to Mr. Moore did not have supporting expense receipts. Ms. Palmquist said Mr. Moore receives \$50 a month as a way to compensate him for all the work he does for the organization. Based on her explanation, the \$50 cash payment should be processed and paid through a payroll check.

15) On September 11, 2012, the agent received another complaint about the club's finances. Shelly Burkhart, the caller, said she was responsible for several previous anonymous calls. Ms. Burkhart wanted to know if her husband, who is not a member, could loan the club money to get them out of their financial debt. She believed the organization should be able to make money like they did in the past. Her husband could loan the club money and take over the operation. The agent advised her that the club is a non-profit private club and it could not be purchased or run like a night club or a tavern.

16) Ms. Burkhart also said she believed Mr. Moore failed to account for all of the money the organization made at the county fair. She also thought the proceeds from the Wednesday night taco feed and the weekend door cover charge were unaccounted for. She thought something fishy was going on at the bingo game and the agent should look into the bingo books.

17) On September 11, 2012, the agent made another trip to the club to gather records. Ms. Palmquist and Mr. Moore met the agent at the door. The agent reviewed a sample of purchase receipts that were reimbursed through petty cash. Mr. Moore said he or a member would sometimes go to Walmart to pickup kitchen or bar supplies. He or the member would pay for the purchases from their own money and would later be reimbursed through petty cash. The agent noted one Walmart receipt contained several items that would not be a typical product used by the organization. Mr. Moore said it was common to purchase personal items on the same receipt, but only the club reimbursed the items used. The agent told him to stop mixing personal and organization purchases on the same receipt. Mr. Moore became extremely upset, began yelling, and abruptly left. The agent took a box full of receipts, petty cash reimbursement forms, bank statements, and monthly records to review.

18) On September 18, 2012, the agent met with officers and trustees at the Moose lodge. The agent provided copies of rules requiring non-profit organization to have internal controls, independent management structure, and generally accepted practices and records. The agent requested their help in providing records and expected reasonable assistance in conducting this investigation. The agent told them he had received multiple complaints alleging there was money missing. The agent told them a couple specific complaints about payroll draws, door cover charges, taco feed proceeds, and fair receipts.

19) The club representatives, other than Mr. Moore and Ms. Palmquist, had no idea about the extra paycheck given to Ms. Shoemaker in April. Mr. Moore said he did not tell them because he had not realized she was paid an extra paycheck. This contradicted his earlier statements that the extra paycheck was a payroll draw and the Board decided to release Ms. Shoemaker's obligation to repay the extra money back to the club.

20) The agent discussed issues surrounding Ms. Shoemaker's payroll draws and the extra paycheck. The agent told them it did not appear the extra paycheck was intended to be a payroll draw and the agent could not find any indication that funds were repaid for this specific check. Mr. Moore admitted he was responsible for signing and authorizing Ms. Shoemaker's draws. The agent believes undocumented draws were being taken out of petty cash, evidenced by deductions on paychecks for draws that did not correspond to a document or check showing a prior draw.

21) The agent determined the organization has no way of verifying what goes into their petty cash fund, so they have no way of verifying or auditing the funds. The agent told the club's representatives to stop using petty cash as a central bank. The licensee should enter into repayment agreements with taxing agencies so they can go back to using standard banking practices to document the deposit of proceeds and payment for expenses.

22) The agent provided several options for the licensee to create an adequate audit trail for their petty cash. The agent then discussed the Saturday night cover charge receipts, Wednesday night taco feeds receipts, and the fair booth receipts. Ms. Palmquist said she just received additional records from Mr. Moore for their fair booth activity, including an envelope labeled "fair money." Inside the envelope was one internal cash register tape with no dates, copies of fair expense

receipts and invoices, and a fair billing statement form. The billing statement shows the amount the licensee reported as net receipts for each day of the fair. The outside of the fair envelope shows the licensee completed a closing cash count only for the first day of the fair. The documented cash count shows the licensee's net cash turn in on August 14, 2012, was \$878. According to the fair billing statement, shows they only reported \$798.00 for a difference of \$80. The agent asked Ms. Palmquist if there were any other records associated with their fair booth. She said the envelope and receipts were all she had.

23) The agent asked if fair receipts had been deposited. Ms. Palmquist wasn't sure. Ms. Palmquist later phoned me and said she found one deposit dated August 20, 2012, for \$1,575. She said nothing on the deposit indicated this was for fair proceeds. However, she believes they had no other income or cash to deposit during this time, so it has to be for the fair receipts. The agent asked to see the accounting records. She said the fair deposit/income was not booked in their accounting records. Based on the fair billing statement, the licensee reported total net sales of \$4,596.74. However, the licensee's deposit was only \$1,575, for a difference of \$2,994.74.

24) Ms. Palmquist said some of the expenses were paid from cash generated from fair sales. The agent reviewed their expense receipts and determined they had approximately \$3,394.53 in fair expenses. The agent was told the Women of the Moose paid the \$500 fair booth deposit. Ms. Palmquist said she paid for supplies from Costco and URM from the petty cash fund. She believes the bill from Coca-Cola Refreshments was probably paid in cash from the fair receipts. As the licensee failed to provide and maintain adequate accounting records, and payment methods for expenses, the agent could not confidently determine whether the licensee deposited and accurately accounted for all of their fair income.

25) Ms. Palmquist also provided several door cover charge count sheets, showing the amount taken in on the door cover charge and the amount paid to the band supported by a cash receipt. The band and/or DJ receive all of the receipts up to \$300 and 80% of anything over \$300. The agent reviewed several of these sheets. The cover charge count sheets reviewed show the licensee only exceeded the \$300 amount one time. Records indicated all door receipts went directly back to the band and DJ. The agent requested they pay the band by check and deposit door cover charge receipts.

26) The agent questioned Ms. Palmquist about their Wednesday night taco feed. Ms. Palmquist said they recently started the Wednesday taco nights and had only held three at that time. Ms. Palmquist said they charge \$6.00 per person, and they only had about 5 to 10 people at the taco nights. She was recording the money on the daily bar count sheets. However, proceeds are typically put into their floating petty cash held in the office safe, so the agent was unable to verify a deposit of these funds.

27) On October 19, 2012, the agent returned to the organization and reviewed bingo specific documents. The agent reviewed June's bingo daily, monthly, and deposit records. The agent noted several deposits listed on the June bank statement that did not appear on their bingo monthly summary. Specifically, the second bingo sessions deposit on June 24, 2012, for \$354.05 was not recorded on the bingo monthly and a deposit for June 7, 2012 for \$421.10

identified as Relay for Life was deposited into the gambling receipts account but did not show on their monthly record. There was no indication of missing bingo funds and deposits were correctly being made.

28) On November 21, 2012, the agent made one more visit to the organization to speak with Ms. Palmquist. Ms. Palmquist said Moose International had shut their club down on November 21, 2012. She said Moose International was requiring officers and Board members to attend a class covering proper operating procedures for their club. The officers and Board members successfully passed the class, held on Saturday November 24th, and the licensee reopened their doors that evening.

29) On or about January 22, 2013, an agent from the Commission's Financial Investigations Unit (FIU) was asked to see if LOOM #1724 marked on their renewal application that they had tax liens filed against them. The agent reviewed the application and noted that LOOM had marked yes, with a note that they had "been paid." The renewal application was dated December 24, 2012.

30) The FIU agent pulled a DOR Debtor Report, which showed that LOOM #1724 was in a payment arrangement for one of the three liens that DOR had filed against them. DOR had filed approximately \$6,032 in liens against LOOM #1724.

Original amount	Current amount	Entered into payment plan
\$3,454.24	\$1,431	No
\$2,048.11	\$1,503	Yes
\$529.78	\$31	No

As of January 22, 2013, the remaining balance was \$2,964 and \$1,461 was not covered by repayment agreements.

31) The FIU agent then searched Washington Courts and found two warrants filed against LOOM #1724 for unpaid revenue taxes. One was dated April 4, 2012, and the other July 6, 2012.

VIOLATIONS:

1) RCW 9.46.075 Denial, suspension, or revocation of license

The Commission may deny an application, or suspend or revoke any license or permit issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but not be limited to, cases wherein the applicant or licensee, or any person with any interest therein, (The following subsection applies.)

(1) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW and any amendments thereto, or any rules adopted by the Commission pursuant thereto, or when a violation of any provision of chapter

9.46 RCW, or any Commission rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control.

(8) Fails to prove, by clear and convincing evidence, that he, she or it is qualified in accordance with the provisions of this chapter.

2) WAC 230-03-085 Denying, suspending, or revoking an application, license

We may deny, suspend, or revoke any application, license or permit, when the applicant, licensee, or anyone holding a substantial interest in the applicant's or licensee's business or organization,

(The following subsections apply.)

(1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075.

(8) Poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by: (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

3) WAC 230-07-060 Independent management structure required.

(1) Charitable or nonprofit organizations and their officers or board of directors have an affirmative responsibility to conduct gambling activities according to the legislative intent in chapter 9.46 RCW.

(2) Organizations must develop and maintain an independent management control system that ensures they:

(a) Create an operating environment that makes it possible to implement the policies of the officers or board of directors; and

(b) Supervise and operate gambling activities according to gambling laws and our rules; and

(c) Protect all assets of the organization from misuse or embezzlement; and

(d) Use gambling proceeds solely to advance the purposes of their organization.

4) WAC 230-07-140 Minimum accounting records for Class D and above bingo licensees and licensees with combined activities over five hundred thousand dollars.

Class D and above bingo licensees and licensees who are authorized for more than five hundred thousand dollars gross gambling receipts from combined gambling activities during any fiscal year must keep accounting records necessary to document all receipts, costs, and disbursements, including, at least, those related to gambling activities.

Requirements for accounting records

For these accounting records, licensees must:

(1) Conform to generally accepted accounting principles (GAAP) except as modified by other commission rules; and

(2) Include, at least:

- (a) A cash disbursements journal and/or check register;
 - (b) A cash receipts and/or sales journal;
 - (c) A list of all assets the licensee paid for;
 - (d) A listing of all liabilities;
 - (e) A complete general ledger system; and
 - (f) A list of all donated items valued at more than two hundred fifty dollars; and
 - (g) Bank statements, related deposit slips, and canceled checks or facsimiles of canceled checks;
- and

Donated items

(3) Document donated items. Licensees must:

- (a) Use the fair market value at the time of donation;
- (b) Add items to the list no later than thirty days after receiving them;
- (c) Remove items when they no longer have legal ownership; and
- (d) Not remove an item from the list, even if it has become obsolete or completely depreciated, until management has completed and documented appropriate review. A depreciation schedule for all capitalized items is sufficient; and
- (e) Add items to the list when they convert items from gambling merchandise prize inventory to licensee use. This list must include, at least:

- (i) A description of the item;
 - (ii) The date purchased, acquired by donation, or converted from the gambling prize pool;
 - (iii) The cost at the time of purchase or, if donated, the fair market value at the time received;
- and
- (iv) The date and method of disposition of the item; and

Method of accounting

(4) Use the accrual method of accounting; and

(5) The cash, modified cash, or tax basis accounting methods may be used only if that method accurately represents the licensee's financial position, the results of operations, and the licensee does not have substantial liabilities or expenses, such as depreciation or amortization expenses, which require a current outlay of cash; and

Expenditures for nongambling activities

(6) Sufficiently document all expenditures relating to nongambling activities in order to provide a satisfactory audit trail and to allow us to verify that the funds were used for the licensee's stated purpose(s); and

Expenditures for gambling activities

(7) Sufficiently document all of the licensee's expenditures relating to gambling activities. Canceled checks or facsimiles of canceled checks, and bank statements are not sufficient documentation for expenditures without additional support. Licensees must provide additional support for expenditures, including:

(a) Invoices or other supporting documents from commercial vendors or service agencies with at least:

- (i) The name of the person or entity selling the goods or providing the services;
- (ii) A complete description of goods or services purchased;
- (iii) The amount of each product sold or services provided;
- (iv) The price of each unit;
- (v) The total dollar amount billed; and
- (vi) The date of the transaction.

(b) Documentation, in the form of checks and other written records of disbursements in excess of twenty-five dollars made directly to individuals who do not furnish normal, business type, invoices or statements. The written records must indicate at least:

- (i) The name of the person receiving the payment;
- (ii) The amount;
- (iii) The date; and
- (iv) The purpose; and

(8) Document allocated expenditures that relate to more than one function to the various functions. Licensees must document their methods of allocation and make them available for our review; and

Capitalizing assets

(9) Include a capitalization policy based on materiality and expected life of operating assets. To determine a minimum level for capitalizing assets, licensees must:

- (a) Capitalize and depreciate, or amortize over the useful life of the asset, any assets of more than two thousand dollars that have a useful life of more than one year; and
- (b) Capitalize and depreciate, or amortize over sixty months, beginning with the first month that bingo games are conducted, pre-operating start up costs related to bingo games of more than six thousand dollars; and
- (c) Amortize, over a period not longer than the life of the lease, any leasehold improvements related to gambling activities that are more than six thousand dollars. Licensees may extend the amortization period to include any lease option periods if the licensee's management states a reasonable expectation that they will use the lease option; and
- (d) Charge all unamortized leasehold improvements as an expense of the gambling activities in the year that the lease expires.

5) RCW 9.46.153(1) Applicants and licensees-Responsibilities and duties

It shall be the affirmative responsibility of each applicant and licensee to establish by clear and convincing evidence the necessary qualifications for licensure of each person required to be qualified under this chapter, as well as the qualifications of the facility in which the licensed activity will be conducted.

The licensee failed to maintain an independent management control system to ensure funds were used for their stated purpose, in violation of WAC 230-07-060. The licensee failed to maintain records necessary to document all receipts, costs, and disbursements of funds, in violation of WAC 230-07-140 and was unable to provide records and information necessary to verify the proper use of funds. In addition, the licensee repeatedly failed to pay state taxes which have resulted in tax liens and warrants filed against it. LOOM #01724 has failed to prove by clear and convincing evidence the necessary qualifications for licensure, in violation of RCW 9.46.153. Grounds, therefore, exist to suspend or revoke LOOM #01724's license, pursuant to RCW 9.46.075(1), and (8), and WAC 230-03-085(1), and (8).

III.

Jurisdiction of this proceeding is based on 9.46 RCW, Gambling, chapter 34.05 RCW, the Administrative Procedure Act, and WAC Title 230.

The licensee will have the opportunity to have a hearing on the alleged violations.

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In order to have a hearing or discuss settlement options, the enclosed request for hearing must be completed and returned to the Gambling Commission **within 23 days** from the date of the mailing of this notice.

Based on RCW 34.05.440, failure to return a request for hearing will result in the entry of a default order REVOKING your license for 30 days.

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

David Trujillo, being duly sworn on oath, says: That he has read this Notice of Administrative Charges and Opportunity for An Adjudicative Proceeding, knows the contents of it, believes it to be true, that he is the Interim Director of the Washington State Gambling Commission, and in that capacity has executed said Notice.

David Trujillo

DAVID TRUJILLO, INTERIM DIRECTOR
SUBSCRIBED AND SWORN TO before me
this 29 day of March, 2013.

Maureen Pretell

NOTARY PUBLIC in and for the State of
Washington residing at Thurston County
My commission expires on December 2, 2015



STATE OF WASHINGTON)
)
COUNTY OF THURSTON)

I certify I have this day served a copy of the document upon all parties of record in the proceeding by mailing a copy, property addressed with postage prepaid, by regular and certified mail to each party to the proceeding or his or her attorney or authorized agent.

Dated at Olympia, Washington this 1 day of April, 2013
Maureen Pretell